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Are luxury and sustainability compatible? A Canadian social entrepreneurship case

Introduction

Sustainability is a pressing issue for the hospitality and tourism sector. The climate change crisis, the concern for pollution, the need to lower energy consumption and to use non-fossil sources of energy, the necessity to provide economic benefits in local communities without having detrimental social impacts are problems that the tourism sector is increasingly aware of. Academics have addressed sustainability for over 30 years since the publication of the Bruntland report (WCED, 1987). The public and the private sector have been relatively slow to act and, for some, it remains lip service or greenwashing. However, the past few years have seen a number of companies making significant efforts to integrate environmental sustainability and social responsibility in their strategies and operations.

The purpose of this paper is to address the question of sustainability in the luxury hotel sector. Professionals are noticing the trend towards prioritising sustainability: Lee (2017) stated that “Luxury hotels go green as millennials demand sustainable travel options.” Indeed, the younger market has become more sensitive to sustainable solutions and is gaining spending power, thus driving trends also in the luxury travel segment and its marketing strategies.

Blending luxury with sustainability has typically been difficult for luxury hoteliers: Their customers typically expect the most of everything and don’t want to compromise on the quality of the services, and most luxury hotels have not been designed with sustainability in mind. In fact, it is well known that the higher the level of service in a hotel, the higher the consumption of resources from water to electricity and the higher the CO₂ emissions.

Luxury is thought to be about excess and opulence, so could a hotel be designed to be sustainable while providing an exclusive experience that customers want to pay for at a high price? To answer this question, the paper considers the case of Fogo Island Inn, an award-winning luxury hotel that has defied all odds by offering in a rural setting a unique luxury experience centered around sustainability.

Literature Review

Corporations can be change-makers: They can set business models and strategies to innovate in how they operate and to influence consumer behavior. Sustainability concerns are challenging tourism businesses to increasingly address climate issues, pollution, child labour, and other aspects impacting society. The transition to business model for sustainability (Boons & Lüdeke-Freund, 2013; Porter & Kramer, 2011) and corporate social responsibility (CSR) are a manifestation of this trend. For example, Martínez, Pérez, & Del Bosque (2014) explored how Spanish hotel group Melia was driven to develop a new and environmentally-friendly image to their stakeholders. Other international groups such as Accor, Marriott, or TUI have made significant efforts in the past years to develop CSR policies. The ultimate objective of a CSR strategy is to add or to generate social value (Altinay, Sigala, & Waligo, 2016). Altinay et al. (2016) suggested that to be successful, social entrepreneurs need to foster local stakeholder involvement and collaboration to generate the resources they need to be successful.

From a consumer behavior perspective, a number of studies have addressed in the past few years the relationships between consumers and hotel operations and sustainability. Some have investigated which sustainable practices are important to hotel guests. For example, Verma and Chandra (2018) found that energy conservation, recycling, and “greenscaping” are key sustainable practices that may influence hotel choice. Others found that some guests are more sensitive to environmental messages and more likely to engage in green practices (Cvelbar, Grun, & Dolnicar, 2015). Dolnicar, Cvelbar, and Grun (2019) also showed that customers could be influenced by hotel operators to change their behaviors towards being more environmentally-oriented. In terms of communication, Sahin, Baloglu, and Topçuoğlu (2019) showed that advertising messages could influence customers and these authors made recommendations to luxury hotels. They suggest that luxury hotels use green certifications to attract targeted customers. Luxury (hotel) brands which have a strong management of environmental and social issues, and that communicate how they manage their impact, are more likely to be successful with millennials (Lee, 2017).

Luxury hotels have been slow to implement sustainability strategies: Business models for sustainability and CSR may remain for them a blurry concept. In a study of Asian luxury hotels, Cherapanukorn and Focken (2014) showed that there is a lack of commonly accepted definitions and guidelines. They added that CSR strategies may “lead to a negative attitude of customers and other stakeholders who do not believe that CSR has a real sense” (p. 207). This is not limited to the hotel sector. In a broader study on luxury consumers, Kapferer and Michaut-Denizeau (2014) point to a contradiction between luxury and sustainability and found that “luxury buyers’ interest in sustainability when purchasing luxury goods is still relatively minimal” (p. 16). The relationship between luxury tourism or hospitality and luxury has not been much explored, but the few studies that were conducted point to the apparent difficulty for luxury operators to embrace sustainability policies and strong CSR.

Methodology

An exploratory simple case-study method was used for the purpose of this investigation (Yin, 2009). Fogo Island Inn, located off the beaten track in Newfoundland, Canada, is an award-winning hotel which has unique characteristics in terms of successful blending between luxury and sustainability and related marketing strategies.

This exemplary illustrative case study seems suitable “to investigate a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 2009, p. 14). Such method provides a level of detail and a thick understanding that permits a thorough analysis of the particular nature of a phenomenon or situation. Stake (2008, pp. 443-445) noted that a case study “is defined by interest in an individual case, not by the methods of inquiry used”, and that “the object of study is a specific, unique, bounded system.” Data on the conditions and factors that allowed a fruitful relationship between luxury and sustainability were collected through content analysis of the hotel’s documentation, website, press releases, as well as with interviews of key informants.

Results

The website (<https://fogoislandinn.ca>) clearly announces the blending between luxury and sustainability. The Inn is situated in the remote and small fishing community of Joe Batt’s Arm

on Fogo Island's north coast. This shard of land is around an hour's ferry ride from Newfoundland's mainland and was first adopted by 19th-century Irish settlers, whose culture (and accent) has been passed down the generations. The inn is around a 20-minute drive from the ferry terminal.

The hotel is situated along Iceberg Alley and faces the North Atlantic Ocean. The property is built of whitewashed wood and encompasses both local traditions and a contemporary style: The predominantly white décor is intentionally simple to enhance the natural light and to make focusing visitor attention to the outdoors. All 29 suites feature ocean-facing floor-to-ceiling windows opening onto panoramic views of the ocean.

The Inn is part of the Shorefast Foundation, a charity built on the principles of sustainability that aims to improve and maintain the island's – and local people's – socio-economic and cultural wellbeing. Its founder, Zita Cobb, developed the hotel to provide an economic and social boost to a depressed and unprosperous community. She stated: "You start a social business to solve a social problem [...]. We didn't start the Fogo Island Inn or any of the other businesses we have out here so that a person or group of people could make financial return - we started it because we were a community that needed to put another life in our economy" (CBC News, 2020). Accordingly, social and environmental responsibility are at the core: All furnishings have been handmade by local artisans; food is locally sourced with a big focus on seafood; and most of the staff are from the island. All operating surpluses from guests are fed back into the local communities to help secure a sustainable and resilient future for Fogo Island. According to the hotel, surplus accounts for 12% of the nightly stay: economic benefits are distributed between Fogo Island (65%), Newfoundland (13%), Canada (19%) and the rest of the world (3%).

The property is designed to be environmentally friendly. Triple glazed windows keep in heat, and natural ventilation is used rather than air conditioning. Rainwater is collected from the roof and filtered for re-use around the property, and solar panels are used to heat much of the water. Food is sustainably sourced, with fishermen adopting a 'cod potting' method to protect fish numbers (<https://fogoislandinn.ca>).

Discussion and Conclusion

Fogo Island is one of Canada's oldest European settled communities at the edge of the North American continent. Local people have been grappling with the question of community resilience in the time of industrialization, urbanization, virtualization and commodification. Like similar rural places worldwide (Go, Trunfio, & Della Lucia, 2013), this community has been able to hold on to the nature and culture of the island by adapting and innovating its legacy (traditional crafts, fisheries and skills) through social business, architecture and design, thus finding the new in the hold (Della Lucia & Trunfio, 2018).

The specific and pure forms of hospitality that Fogo Island Inn – and Newfoundland's outpost communities – offer are examples of social richness and eco-friendship where (new) luxury meets sustainability and both foster a better future. The Inn adopts an innovative and radical social business model which works as a catalyst of the continuing process of regeneration of the place: Tradition building techniques were revitalized; substantial employment opportunities were offered in a region previously devastated by the decline of the cod fishery; new skills were

acquired by local people to sustain them for years to come; all the economic benefits of the business activity are reinvested in the community of Fogo Island.

Consistent with the most recent literature on “cultural” regeneration (Della Lucia & Trunfio, 2018), the factors at the base of the Inn’s business model are stakeholder engagement/social capital rebuilding (social business) and the hybridization of cultural legacy with creative industries (architecture and design). Both were activated by the vision of a local business woman through the Shorefast Foundation: It created a critical mass of stakeholders (local makers and artisans, as well as architects and international designers from away), innovative/creative thinking and primarily private philanthropic grants needed to design and develop the Inn project. These factors allow a fruitful relationship between luxury and sustainability thus benefiting the larger community of Fogo Island. Both natural and cultural heritage are protected and enhanced to give Fogo Island relevance in the contemporary society and to enhance the economic prospects for the community.

In conclusion, Fogo Island Inn is a success story that demonstrates that a hotel can combine a luxury focus with a strong environmental and social orientation. It shows that this orientation is based on the adoption of new business models, i.e. BMS, according to which a luxury hotel may be both a social business and a community asset creating a shared value (Porter & Kramer, 2011). Shorefast strives to use business-minded ways to achieve social ends. This “not-just-for-profit” approach to business is a model for a more positive and productive relationship between capital and community (<https://fgoislandinn.ca>). This relationship cannot be an afterthought but it has to be part of the vision – of individuals and/or of the community – from the design stage and be rooted in the social capital.

Further research is needed to overcome the limits of this exploratory study. Cross case analyses of luxury hotels could be carried out in different countries and different destinations/settings (e.g., urban) to provide empirical evidence about the factors that can catalyse (or impede) the blending between luxury and sustainability in hotels.

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